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Tin Production

1. The Chinese tin situation is completely confused insofar as the Chinese Nationalist Government is concerned. The mine owners and the government keep so many sets of figures that no one knows how much tin is being produced. Producers are supposed to surrender 25 percent of the foreign exchange received in sales for Chinese currency at the official exchange rate, but they avoid this by paying a few officials or by failing to report amounts of foreign currency received for tin smuggled out of China.
2. More than half of the 1948 production was never recorded. In order to keep their positions, employees of government-owned mines spend more time juggling false figures to submit to the government than in trying to increase mine output. Government operators order more equipment and supplies than they need and sell the extras to private mine owners.
3. Actual 1948 production was 5,850 long tons: 5,000 from Yunnan; 775 from Kwangsi; and 75 tons from Kiangsi, Hunan, etc. Although production increased slightly during the first part of 1949, the troubled conditions may cause it to drop during the last half.
4. Private mines in Kwangsi (which produced 450 long tons in 1948) and in Yunnan (which produced 3,900 long tons) smelted their tin in private furnaces and sold it through many small brokers and exporters. Much of the tin treated in private smelters, particularly in Yunnan, was low-grade (95-99%) and did not command a high price.
5. Twenty thousand people now work in the Yunnan tin industry, compared with nearly 100,000 in the peak year 1938-39, when production is said to have exceeded 10,000 long tons. Yunnan produces nearly 90 percent of China's tin. Production for 1950 could reach 10,000 tons of concentrates of 65% tin, or 6,500 long tons of contained tin, if the price of rice is kept down or if mine owners are paid more for concentrates.

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6. With modern equipment and technical knowledge, Yunnan's reserves of roughly 200,000 long tons could be produced at the rate of 20,000 long tons a year, which may be enough to meet USSR requirements.
7. The Papu (111-25, 24-29) and other tin areas soon will be lost as a source of supply, but the Kochiu (103-05, 23-22) District may be able to hold out for many months. There is year-round mining at Kochiu but concentrates are produced mostly during the last half of the year because of the water shortage, which, during the first half, only permits production of 1,700 tons.
8. Between September 1949 and the middle of January about 6,000 long tons of 65% concentrates will be produced in Kochiu. If the district can hold out until February 1950, the Communists would lose a substantial tonnage of tin, provided the tin can be shipped out of the district to Europe or the United States. Kochiu mine owners say they have 5,000 guns of various types, mostly antiquated, and home-made soft-lead ammunition (half of which is flat-nosed), and can hold Mengtzu (103-23, 23-20) airfield.

Transportation

9. Tin from Yunnan is transported over the following routes:
  - a. by rail to Kunming, overland by truck to Liuchou, then by boat to Canton, Macao and Hong Kong.\*
  - b. Up to the Yangtze River and by boat to Shanghai.
  - c. Down the Red (Yuan) River valley to Haiphong and then to Macao.
10. Smuggling from the Papu District was very easy. Ingots were shipped on river boats down the Hochiang to Liuchou, then down the Sichiang to Canton, Hong Kong and Macao. Shippers stopped paying off the customs when they found it cheaper to land the tin, carry it around the customs stations and load it on the boat again.
11. Since early June 1949 very little tin has come to the coast because many routes have been cut off by bandit and Communist guerrilla activity.
12. The British, under an agreement with the Chinese Nationalist Government, are supposed to collect for the Chinese Government 25 percent of the foreign exchange received for tin sold in Hong Kong. Although this has caused Macao to become a large tin port, apparently important tonnages of tin still come to Hong Kong, because many shippers "buy" Chinese export permits from friends in the National Resources Commission (NRC).

Dealers in Macao and Hong Kong

13. Principal among the many small dealers in Macao and Hong Kong handling tin sales are the following companies:

Yen Chan Chut Company  
 Hung Dah Company  
 Lee Ling Company  
 Suicheng International Trading Company, Limited

14. The Tchao Company has a refinery in Canton where it refines low-grade tin before shipping. The refinery is now being dismantled and sent to Macao.

YPDC and Related Activities, Yunnan

15. Yunnan producers pay the following local taxes on all tin sales:

<u>Tax</u>	<u>Percentage</u>
Provisional government tax	5
Local government taxes	2
Stamp tax	.3
Tax for miners' welfare fund	.1
TOTAL	7.4

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16. The Yunnan People's Development Corporation (YPDC) is a tin broker and does no mining, although its head, Y. T. LIAO, is a mining engineer. YPDC pays premiums for 65% tin, and exacts penalties for tin under 65% and for impurities above certain limits.
17. YPDC owns 40 percent of Yunnan Consolidated Tin Corporation (YCTC) -- 60 percent is divided equally between MRC and the Bank of China -- but YCTC sells to the highest bidder. YPDC bought 640 long tons of 92-97% tin ingots produced early in 1949 by private Kweichow smelters, and hopes that YCTC will refine it to 99% or 99.8% for a small fee.
18. YPDC has succeeded in forcing buyers to leave Yunnan by blocking any buying of tin or concentrates except with Rondon and Company, a French firm, which has started to buy concentrates in direct competition with YPDC. Although Rondon has not revealed the destination of its purchases, it appears to be preparing for long-term operations by shipping a jeep, gasoline and other supplies by rail to Kweichow, where its buyer now has a house. YPDC is annoyed by Rondon's activities because YPDC will have to pay more for tin and will receive a smaller tonnage.
19. In May 1949 Reconstruction Finance Corporation (RFC) made a two-year contract with YPDC for delivery of 10,000 tons of tin contained in concentrates, which would amount to 16-18,000 tons of concentrates. This contract and airlifting of tin by Rondon changed the tin situation in Yunnan. RFC also made a contract with YCTC for 300 long tons of 99.8% tin ingots to be delivered to Haiphong, French Indochina, and loaded on a boat before 30 June 1949.
20. As of 14 August 1949 YPDC had delivered 500 tons on its RFC contract by CAT to Haiphong. Concentrates have been accumulating at Haiphong because shipping companies have been reluctant to divert a ship to pick up a small cargo. On 6 September 1949 the GRANVILLE (of the Fern Line) picked up the first shipment of 560 short tons of YPDC tin concentrates purchased in June and destined for the RFC smelter in Texas City. The GRANVILLE goes through the Suez Canal to New York, then down to Galveston.
21. A Laersk Lines ship was to have called at Haiphong on 23 September for 150 tons of Rondon 99% tin ingots which were airlifted from Kengtzu and have been sold to New York brokers. Rondon also has 50 tons of 99.8% tin in Haiphong, which it claims it will sell to the French Government, and 500 long tons of tin at Kengtzu airfield. YPDC has 500 long tons of tin at Kengtzu, too.
22. LIAO agreed to give Civil Air Transport (CAT) all the air freight of tin and concentrates, if YPDC received the RFC contract but, when the contract was signed, LIAO told SITA (a French airline), Central Air Transport Corporation (CATC), China National Aviation Corporation (CNAC) and CAT that he would let the lowest bidder fly out the tin. Although CNAC bid six cents a pound it had no planes available, so CAT -- which bid eight cents -- began to fly the tin out.
23. Airlifting of tin ingots and concentrates from Kengtzu to Haiphong, which was temporarily halted, was resumed on 13 September after negotiations with the French and Chinese Nationalist Governments. The French will permit six landings a day at Haiphong by planes from China, but three of the landings must be by French airlines. If the three planes from other companies carry only tin concentrates (six tons per C-46), they could airlift 18 tons a day, or 540 tons a month, whereas current output of tin concentrates in Yunnan is 1,000 tons a month of 65% tin. SITA is going to carry some of the tin and concentrates.
24. Rondon and E. Ott & Company are said to have shipped some tin in 1948 to the Shanghai companies that bought for the USSR. Ott now has a representative in North China and North Korea, and is said to be conducting a profitable barter business.\*

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- 25X1X 25. Rondon and YPDC pay for the tin or concentrate in Pankai (Yunnan silver dollars), not US dollars. In August MIAO paid Pankai (PK) \$265 per picul of contained tin. At PK \$4.50 to US \$1 this would equal US \$0.45 per pound. It is believed [REDACTED] that RFC pays YPDC about US \$0.87 per pound. MIAO's retention of the US currency received from RFC caused a serious quarrel between him and LU Han, governor of Yunnan. As of 8 October 1949 YPDC, which has run out of PK, has not paid for tin it has received. Rondon has not been paid for 150 tons of tin ingots purchased in August 1949. Tin is now (8 October 1949) down to PK \$160 a picul, or PK \$2,640 a ton.
26. The decision of Rondon and YPDC to stop purchasing tin, which has forced many small Yunnan tin mines to close, was caused by the following reasons:
- a. It has taken several months for tin and concentrates previously purchased to leave China for America, which has tied up the firms' money.
  - b. The firms are afraid that Yunnan Governor LU Han will change his allegiance at any time, and they would lose their tin and funds.

#### Tin Producers' Attitudes toward Communism

27. Although many mine owners are against Communism, their discontent with the Chinese Nationalist Government and YPDC leads them to say that, while Communism might not be any better, it couldn't be much worse. Many owners are afraid that the Communists will stop the owners' use of young boys as slave labor or will take over all mines.
28. YCTC technical personnel are looking forward to the Communist takeover, even though some are former NRC employees from the Pingkuei Mining Administration (PKMA), Kwangsi. They are influenced by the fact that the Communists asked all technical personnel in North China to retain their positions.
29. The workers want anything except the present government, because they work under the world's worst conditions and don't get enough food.

#### NRC Tin Activities

30. Although control of tin by NRC was abolished in 1946, in April 1949 NRC handled sales of its mine production, made some purchases from private mines in Kwangsi and Kiangsi (about 360-400 tons in 1948), and sold the YCTC output of 1,100 long tons of tin.
31. NRC is reported to have been negotiating tin sales directly with the USSR, but NRC officials in Hong Kong are more interested in selling to private firms for less money in order to obtain a 2-5 percent "squeeze" from the buyer.

#### Foreign Purchases of Tin and Tungsten

32. Felix Kamarsky (cable address ORSOLFRA New York) has been offering to purchase Chinese tin concentrates at US \$0.88 per pound of contained tin, supposedly for CIL shipment to New York. Kamarsky has also been buying Chinese tungsten concentrates at high prices, which are shipped for his account to Gothenburg, Sweden.
33. Until the fall of Shanghai, Russian purchasing was handled by Shanghai firms buying from importers and the NRC, which is said to have made a small shipment of tin to the USSR early in 1949. USSR interest was in 99% tin, and it did not purchase low-grade ingots. Some of the tin purchased was shipped directly to Vladivostok by small Portuguese steamers, which were chartered by the Union Steamship Company to carry tungsten and other goods.
34. Although companies in Southeast China lost contact with the Shanghai firms after Shanghai's fall, there appear to be several that deal with the USSR. It is not believed that any tin has been sold to the USSR by private firms.

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in recent weeks. The SIOLNY is said to have made a trip to Southeast China, possibly to pick up tungsten concentrates, but it is not known if she picked up tin.

35. In the first part of August 1949 Roy Farrell and Company (an American firm) was approached by an unidentified English firm to sell 7,000 long tons of ammonium sulfate to have been shipped by the USSR to Hong Kong near the end of August 1949\*\*. Farrell's offer of 275 long tons of 99.8% tin (now in Kochiu, owned by YCTC) in payment was answered\*\*\* within 24 hours. The British firm representing the USSR in the chemical line contacted its London office which contacted Moscow directly. It is believed that Farrell would like to get the exclusive rights to handle purchasing of minerals for the U. S. R. in the Far East.
36. It is reported that two Russians arrived in Kunming in the fall of 1948 to buy tin concentrates or ingot. However, on their first day most of their luggage, including briefcases, was stolen, and they left shortly afterwards.
37. The USSR is reported to be interested in up to 5,000 tons of tungsten concentrates, of which there are now about 3,300 in the Canton-Macao-Hong Kong area. NRC has nearly 3,000 tons of tungsten concentrates, but owes money to the Central Trust, which is trying to sell 1,000 tons of the tungsten. Much of the concentrate is only 45% WO<sub>3</sub>. The USSR wants 60% tungsten concentrate, and preferably 65%, which conforms to the Hamburg A contract.

#### Occurrence and Mining Activities

##### Yunnan

38. Tin is mined near Kochiu (103-05, 23-22) in Laochang, Hsinchang, Kaifeng and Niushipo. Deposits are found in a rugged limestone formation which has been pushed up by a large mass of granite. Tin ore is found in veins, in weathered areas and as water-carried impregnations.
39. Tin is reported along the banks of the Red (Yuan) River and at Lungling, on the west Yunnan border, and is in veins and in contact deposits along the outcrop of granite. The exceedingly difficult transportation handicaps production, although some tin is reported to have been produced in 1939.
40. YCTC and private ore-dressing installations and smelters are at Kochiu, which is YCTC headquarters. Equipment of the YCTC mill, which is used for the YCTC Malake mine, includes grinding mills, rotary sieves or screens, tables and settling cones. Water is piped in by gravity from 30 miles away. Although the mill has a daily capacity of 220 tons, it processes only 160 tons of 3% Sn ore daily. The annual production rate during 1948 and 1949 has only been 850 tons of tin because of work stoppages and inefficiency. Japanese bomb damage has been repaired.
41. YCTC has a machine shop at Kochiu which is well-equipped with US machine tools. The mill and machine shop employ 400 persons.
42. The YCTC smelter at Kochiu, which employs 180 persons, is inefficient and wasteful. Its one blast furnace has a monthly capacity of 150 tons of tin. One ton of coke is required to produce one ton of tin, and considerable difficulty is experienced in maintaining temperature control. The ten small remelting furnaces have a total monthly capacity of 100 tons of 99.8% tin, but the process is costly. There is an analytical laboratory which employs 12 persons.
43. Coke is shipped to the smelter from a YCTC coal mine, on the Kunming-Haiphong railroad at Kaiyang, which mined 18,000 tons of 11,000 Btu quality coal, running 2-3% S, during 1948.

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44. About 30 private ore-dressing yards in Kochiu work low-grade concentrates and ore packed in from mines. Methods are primitive, inefficient and wasteful. Some of the yards are operated by local private smelters which buy ore cheaply when the mines need money.
45. Before July 1949, 15 private smelters in Kochiu produced about one ton of tin each daily, using two tons of charcoal. Losses were very high. Although the quality occasionally was as low as 93%, ingots produced were usually 97-99%. The impurities were lead, antimony, iron arsenic and copper. All of the smelters closed during July, principally because of the airlifting of concentrates and the drop in the low-grade ingot price.
46. The Laochang District, an area of 12 square miles southwest of Kochiu, has mine centers at Mangtzekai, Huangmaoshan, Hauchekou and Hunghuangtung. In this district cassiterite occurs in conjunction with hematite and limonite. The ore mined runs about 30% iron oxides with a tin content averaging 2% or more. Overall, the tin runs from less than 1% up to rich pockets of 20%.
47. Although the 1939 production rate was 7,500 tons, as of July 1949 the rate was 3,700 tons. With efficient development, power, adequate transportation and modern machinery, production could easily be increased threefold.
48. Most of the more than 150 private mines are small surface openings that follow the richest ore showings, although there are a few open pits. All are handicapped by lack of equipment and power. Ore containing less than 2% tin cannot be profitably mined. Private mining methods are primitive and wasteful, but the owners are not interested in obtaining competent technical advice. Two-thirds of the 1948 production of 3,300 tons of tin came from one-third of the mines. Total private mine production in 1949 may exceed 3,500 long tons of tin. Concentration methods at the mines are crude and, as the cassiterite is very fine, half of the tin is lost in the sluices. There is a shortage of water, and nearly all milling is done between June and January.
49. The YCTC Laochang mine, which started producing in 1940, employs 600 persons and produces 220 tons of tin annually. During World War II the daily production rate often exceeded 200 long tons of 2% Sn ore mined, but mill capacity was exceeded and stockpiles accumulated. This accumulation will all be run through the mill by January 1950.
50. As of July 1949 the daily mine production rate was 80 long tons of 2% Sn ore, and the milling daily rate was 150 long tons, which yielded one ton of 68% concentrates or 220 tons of tin annually. The 1950 production of the Laochang mine is expected to drop.
51. T. T. NI, chief YCTC engineer, and P. C. WOO, superintendent of the Laochang mine, are interested in cutting through ore deposits being worked from the surface by private mines at a level lower than the private workings. Under Laochang District mining laws, YCTC will then have the right to continue lower workings even though surface ownership remains with the private mines.
52. Although the Laochang mine is semi-mechanized and its reserves are described as "very large", actual mining is haphazard and without direction. Its two closely spaced shafts, 600 and 800 feet deep, are only being worked at the 600-foot level. Ore-dressing produces a 65% concentrate by a primitive method which loses about one-third of the tin. The mill employs 700 persons. The Laochang mine is having labor troubles, and some guards have defected to the bandits. WOO is intensely disliked.
53. Exorbitant rates are charged to transport concentrates and supplies between Laochang and Kochiu by pack animals. There is a road now under construction which will not be completed before January 1950, and trucks cannot be obtained until the Burma Road is reopened. There is a narrow, poorly constructed dry-weather road between Laochang and Mengtau.

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54. Construction of an aerial tram from Laochang to Kochiu, approved by ECA, was bid for by a US firm and the British Aerial Ropeways (which bid half as much as the US firm), but ECA has ceased operations. The tram would greatly relieve transportation problems, but the mine owners, who distrust each other, would have to combine to make it practicable.
  55. The Hsinchang District, which extends over an area of 5 square miles, is 3 miles east of Kochiu. It produced 1,000 long tons of tin in 1948. Production in 1949 probably will be 10 percent greater and might increase similarly in 1950. The YCTC Malake mine provides 85 percent of the production, and the rest is from private workings near Shuchiao. The deposits being worked, which run 3 percent tin and 30 percent iron, are easy to break and badly weathered. Lead and zinc are also found. YCTC has 2,000 tons of zinc ore, mined during development operations, which runs 35% Zn in the form of smithsonite, hydrozincite and calamine.
  56. The Malake mine, which is older than the Laochang mine, is connected with Kochiu by an aerial tram which is in two stages, the lower stage being the limiting factor with a capacity of 280 tons while the upper stage has a 400-ton capacity.
  57. Underground workings at Malake employ 650 persons. At present there is only one shaft which reaches a depth of over 1,100 feet. Two large ore deposits are being worked at four levels by a variety of mining methods. Although the equipment at Lalake is not as good as that at Laochang, operation is better organized. During August 1949, 165 tons of 3.5% Sn ore were produced daily. A newly-installed hoist has a capacity of 200 tons. Compressed air is used underground and mules are used for underground haulage.
  58. Lalake is working its Chiutsaichang deposit, which is over  $\frac{1}{2}$  mile long, 150 feet wide and 90 feet deep, by hydraulicking. One monitor from Papu, which utilizes water pumped from Kochiu, is used, and the ore washes down a flume  $\frac{1}{2}$  mile to an ore-dressing installation at Peishachung, northeast of the deposit. This mill, which is not completed, is expected to produce up to one ton of concentrates daily during 1950.
  59. Malake is also placer-mining its Yiuchiutung deposit, which is over  $\frac{1}{2}$  mile long, 150 feet wide and 90 feet deep. Both of these deposits are weathered tin ore which averages about  $\frac{1}{2}$ % Sn. Two hundred persons are employed on surface workings. There is a machine shop with more than 30 employees.
  60. In the Kaifeng area, 15 miles southwest of Kochiu, there are many small vein deposits of cassiterite associated with wolframite and several large low-grade contact deposits. Ten placers in the eluvial deposits and 40 small lode mines produced 300 long tons of tin in 1948. YCTC owns a few properties but has not developed them. South of Kaifeng there are many small placers working alluvial tin, but they lack power and equipment, and the only transportation is by mule. Water is short and bandits disrupt operations.
  61. At the Niushihpo District,  $1\frac{1}{2}$  miles southwest of Kochiu, there is a weathered deposit of tin at the granite-limestone contact. Production is small.
- Kwangsi
62. There are a few lode deposits but practically all of the output comes from eluvial and alluvial placers. The usual mining method is by monitoring for recovery of cassiterite in sluices.
  63. Principal occurrences are:
    - a. Fuchuan-Hohsien-Kunchau area, near Pinglo.
    - b. Hochih-Wandan.
    - c. Chuanhsien.
    - d. Luchuan.

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64. Of Kwangsi's 1948 production of 450 long tons of tin, 360 long tons came from PKMA, control of which is divided equally between NRC and the Kwangsi provincial government. PKMA's tin ingot output was much higher than its mine production because it purchased concentrates from private mines and treated them in its Papu smelter. Kwangsi's production rate is reported to have been increased recently by 10 percent, but present (September 1949) stocks are reported to be very small.
65. PKMA owns a coal mine which gives poor quality coal, low in BTU's and high in sulphur. A PKMA power plant supplies electricity to Papu, and a small foundry in Papu makes monitors.
66. NRC claims that the PKMA smelter at Papu has a monthly capacity of 350 long tons of refined tin, although it has never produced more than 150 long tons a month. Crude (sic) tin is smelted in reverberatory furnaces and refined in poling pots.
67. Papu was well equipped in 1938-39, but its closure for a year during the war, looting and lack of machinery maintenance have caused an equipment shortage.
68. Six of the large Papu private mines had diesel power but were not permitted by the Chinese Nationalist Government to import diesel oil. They converted to steam and use coal from PKMA, which is permitted to import some diesel oil for one of its installations.
69. Larger mining companies in Kwangsi own their own smelters and nearly always produce tin of about 99%. Charcoal, which is used in Kwangsi, is shipped about 70 miles into Papu and is very expensive.
70. There is an air strip at Papu which is too short for C-46's and C-47's. Plans to lengthen it so that planes could pick up concentrates have been dropped. Some tin has been shipped from Papu to Kweilin by truck, then flown to Canton.

Hunan

71. There are several tin placers in Hunan (just north of the Kwangsi border) which are near and related to the Kwangsi tin deposits, both having been derived from the same granite batholith. Production is small and information concerning the potential is not available. Apparently the principal workings are the Anyuan mine, Ichang District; mines near Chinghua, Linwu District; and Tungan.

Kiangsi

72. Tin occurs associated with tungsten in Kiangsi. Although the output is small, these deposits are well-scattered and may prove to be important if further developed. The principal areas are said to be Shanglun, Hsialung, Huishuichau, Kongshui, Tayu, Tsungyi and Piaotang.
73. NRC owns a tungsten mine at Piaotang, near Tayu, from which it was recovering one ton of tin a month early in 1949.

Kwangtung

74. No deposits are reported as being worked, although small amounts of tin have been produced in the past.

Other Provinces

75. There are rumors of tin deposits in the western provinces, but there are no

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reports that any has been worked. These deposits are supposed to be pegmatitic, with little promise of importance insofar as tin production is concerned.

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\*\*\* Presumably the answer was in the affirmative.

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